

PressRelease

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FOR IMMEDIATE RELEASE

Editor's Note: This news release outlines the position of the staff members of the Washington Utilities and Transportation Commission (WUTC). In formal proceedings, such as this case, commission staff function as an independent party. Opinions, testimony and settlement agreements proposed by the staff should not be confused with findings and decisions made by the three-member commission. After consideration of the record of evidence presented by all witnesses, the three-member panel will issue a signed, written order informing the parties and public of its decision. In this case, the commission also must decide whether the merger is jurisdictional and subject to its approval. Staff testimony on this case is available at the agency's Internet website: www.wutc.wa.gov.

WUTC staff recommends against MCIWorldcom\Sprint merger

OLYMPIA, Wash. -- If MCI WorldCom Inc. and Sprint Corporation are allowed to merge, it will result in higher prices and will harm consumers, warned state regulatory staff investigating the proposed \$130 billion merger.

Staff of the Washington Utilities and Transportation Commission today urged their three-member commission to reject the proposed merger between the nation's second and third largest long-distance telephone service providers. MCI WorldCom, based in Clinton, Miss., has \$37 billion in annual revenues. Sprint, based in Kansas City, Kan., has \$17 billion in annual revenues.

The commission will make a final decision on the merger this summer. The Federal Communications Commission, the U.S. Dept. of Justice and other state commissions are also reviewing the merger.

Noting there are only three "brand name" long-distance providers—AT&T, MCI WorldCom and Sprint, staff said "the combination of two of those three companies can reasonably be expected to result in higher prices and reduced innovation, which would unambiguously harm consumers and the public interest."



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MCI WorldCom claims it will benefit from the merger by adding Sprint's wireless telecommunications services to its portfolio and by gaining efficiencies associated with combining the companies. But staff argued that these benefits for the company do not translate into benefits for consumers. On the contrary, the merger reduces customer choice of price and service options.

As an example, staff pointed to Sprint's recent calling plan that included lower in-state toll rates—a competitive move that was not matched by MCI WorldCom. Price competition for toll calls made across the state, such as between Seattle and Yakima and Longview and Bellingham, is not as robust as price competition for calls made to other states.

Staff also noted that on a per customer basis, the WUTC receives twice as many complaints from MCI WorldCom long-distance customers as it does from Sprint long-distance customers. Further, customer complaints regarding MCI WorldCom's long-distance service is up by 30 percent from the same time last year.

Staff also raised concerns regarding Sprint's 89,000 local telephone customers in Washington. Sprint is the local telephone provider for Poulsbo, parts of Jefferson County and Southcentral Washington. The proposed merger does not have sufficient guarantees that service and rates to Sprint's local telephone customers will not suffer as a result of the merger, argued staff.

In Washington state, MCI WorldCom generated almost \$107 million from its long-distance services in 1998. Sprint generated over \$43 million in long-distance revenues.

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